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CONGRESSMAN KENDRICK B. MEEK

September 15, 2003

WASHINGTON OFFICE
1039 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-4506
FAX (202) 2260777

DISTRICT OFFICES

MIAMI-DADE
111 NW 183RD STREET
SUITE 315
MIAMI GARDENS, FL 33169
(305) 690-5905
FAX (305) 690-5951

BROWARD
10100 PINES BOULEVARD
BUILDING B, 3RD FLOOR
PEMBROKE PINES, FL 33026
(954) 450-6767
FAX (954) 450-6768

Bryant L. VanBrakle
Secretary
Federal Maritime Commission
800 North Capitol Street, NW
Washington, DC 20573

RE: Petition P3-03

RECEIVED
03 OCT - 6 PM 3:55
FEDERAL MARITIME COMMISSION

Dear Commissioners:

I write in strong support of the UPS petition currently pending before the FMC for an exemption from the prohibition on Non-Vessel Operating Common Carriers (NVOCCs) from entering into confidential contracts with their customers. Due to the operational characteristics of UPS and recent developments within the ocean shipping marketplace, the antiquated regulatory scheme governing NVOCCs should be revised.

During consideration of the *Ocean Shipping Reform Act* (OSRA) revisions of 1998, Congress carefully considered all aspects of the ocean shipping industry, including the role of NVOCCs. Based on the nature of ocean shipping at the time, Congress determined that NVOCCs should be regulated differently than vessel operators. In the late 1990s, most NVOCCs were small enterprises that neither owned ocean vessels nor the cargo being shipped. In order to protect shippers and to guarantee liability coverage, Congress determined that NVOCCs should operate under a published tariff system when dealing with their customers.

However, the state of the U.S. ocean shipping industry has changed dramatically since passage of OSRA. There has been unprecedented consolidation among ocean carriers resulting in the loss of major U.S. flagged carriers. In an effort to offer customers a full range of services, these very same carriers have created vertically integrated logistics companies that now compete with NVOCCs.

UPS operates the most sophisticated, integrated, intermodal transportation network in the world, which includes air, rail and surface and NVOCC transportation, and is deemed a "carrier" in the surface and airfreight industries. Furthermore, UPS makes significant annual capital investments to its

asset-based transportation infrastructure. These facts alone set UPS apart from the companies that first raised concerns about the regulatory status of NVOCCs.

The UPS petition, citing the recent evolution of the ocean shipping marketplace, is precisely the reason Congress granted such broad exemption authority to the FMC. While anticipating dramatic changes in the ocean shipping industry with the passage of OSRA, Congress did not contemplate how fast or how smoothly the market could adapt to these changes. By granting this petition, the FMC will acknowledge these changes, level the playing field between NVOCCs and vessel operators, and ultimately benefit ocean shipping consumers around the world.

Based on the merits of this case, I therefore urge that you give the UPS petition your favorable consideration.

Sincerely,

A handwritten signature in black ink, reading "Kendrick B. MEEK". The signature is fluid and cursive, with the first name "Kendrick" and last name "MEEK" being more prominent than the middle initial "B.".

KENDRICK B. MEEK
Member of Congress